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PRESIDENT

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VICE PRESIDENT

PEGGY MAUK
SECRETARY

JASON GLESS
TREASURER

**THE GAGE CANAL COMPANY**
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RIVERSIDE, CALIFORNIA 92504
951 780-1333
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September 13, 2023

Todd Corbin

General Manager

Riverside Public Utilities

3750 University Avenue, 5th Floor

Riverside, CA 92501

Mr. Corbin,

On September 12, 2023 The Gage Canal Company Board of Directors approved the fiscal year 2023/2024 budget of $4,674,113. The budget includes revenues and expenditures for company operations. The share price increases from $230 to $255 with the use of reserves. The company currently has a restricted reserve of $1 million dollars and additional unrestricted reserves of $1 million dollars. Had the Board of Directors decided against using the reserves the share price would have increased to $280.

## OPERATING AGREEMENT – CAPITAL EXPENDITURE BUDGET

Exhibit "F", Section 15 - Lines 4 through 17 of the Operating Agreement states the following:

"All capital improvements, additions and replacements necessary to fully exercise the water rights condemned to the use of the City and necessary to the Company's performance of this agreement shall be paid for by the Company, installed only on former Gage properties condemned to the City and shall be the property of the City. The Company shall submit an annual capital expenditure budget for approval by the City; costs of such improvements necessary to efficient performance of this agreement shall be borne by all shareholders, including the City, and/or contractual obliges as operating expenses in accordance with previous practices and existing agreements; except the City shall assume the shareholders' allocation of expense for canal covering instigated by the City."

The annual capital expenditure budget for 2023/2024 is as follows:

1. Gage 98-1 Well Rehabilitation: $330,100
2. Vehicles (2): $100,000
3. Olivewood Check Valve Replacement: $38,500

The total annual capital expenditure budget to be submitted to the City of Riverside: $468,600.

Exhibit "F", Section 16 - Lines 20 through 22 of the Operating Agreement states the following:

"The fixed works, equipment and improvements condemned to the use of the City or constructed as provided in Section 15 above, shall not be removed, abandoned, destroyed or substantially altered with the City's consent."

The following obsolete materials will be sold as scrap with proceeds to be deposited under Income Account 630, Miscellaneous Income: miscellaneous steel from Headworks and Jackson Street yard cleanup.

SUMMARY

The preparation of the 2023/2024 fiscal year budget has been a collaborative and cooperative process that involved all of the Board Committees and staff throughout our organization. We recognize the continued challenges with ongoing legal circumstances, aging infrastructure and protecting company assets.

On behalf of the Board of Directors I am recommending that the City of Riverside approve the FY 2023/2024 Capital Expenditure Budget.

Sincerely,

BENJAMIN ALMS

General Manager